

PAID  
2/17/04

**Georgia Water & Well Services, Inc.-**  
***Application for Approval of a Rate***  
***Increase in Water Rates and Charges***

***Docket No. 2003-295-W***

***Surrebuttal Testimony and Exhibit***  
***Sharon G. Scott***  
***Audit Department***

***Public Service Commission of South Carolina***

RETURN DATE: \_\_\_\_\_

SERVICE: \_\_\_\_\_

**SURREBUTTAL TESTIMONY OF SHARON G. SCOTT**

**FOR**

**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**DOCKET NO. 2003-295-W**

**IN RE: GEORGIA WATER AND WELL SERVICES, INC.**

**Q. MS. SCOTT, HAVE YOU REVIEWED THE REBUTTAL TESTIMONY  
PRE-FILED BY THE COMPANY?**

A. Yes I have and want to respond to adjustment # 7 for the management fee and adjustment #8 for the depreciation expense adjustment. The Utilities Department will address adjustments concerning the depreciation rates and the water line extension.

**Q. WHAT IS YOUR POSITION REGARDING THE MANAGEMENT FEE  
ADJUSTMENT?**

A. Staff did not propose to include the entire management fee since the figures provided by the Company were based on estimates of time and expenses and were not known and measurable. The Company could not provide any time reports, invoices, or other records to support these expenses. However Staff does acknowledge that the Company did not have any employees and that expenses such

1            as billing, administration, repairs and maintenance and on-call services are the type  
2            of expenses usually incurred by a water utility.

3        **Q.    WHAT IS YOUR POSITION REGARDING THE DEPRECIATION**  
4        **EXPENSE ADJUSTMENT?**

5        A.    Staff has recomputed the Depreciation Expense Adjustment to include the tap fees  
6            for 45 taps in plant in service. The Company has proposed to use 445 taps which  
7            includes 400 taps from the previous owners and 45 taps that the present company  
8            has installed. The Staff has concluded that the 400 taps for the previous owners  
9            were booked correctly since the Commission did not allow depreciation expense in  
10           the last rate case involving this company. Therefore, Staff proposes to allow for 45  
11           taps at the estimated tap fee cost of \$670 per tap and to add \$30,150 to plant in  
12           service. The Utilities Department Staff has agreed with this company's \$670 cost.  
13           This amount, \$30,150, is depreciated over 40 years as recommended by the Utilities  
14           Department Staff. The recomputed Depreciation Expense Adjustment amounts to  
15           (\$31,205) for net allowable depreciation expense of \$4,422. (See attached Revised  
16           Audit Exhibit A-2). As a result of this adjustment, the Operating Margin after the  
17           proposed increase would decrease from 42.39% (flat rate) or 44.13% (metered rate)  
18           to 40.81% (flat rate) or 42.19% (metered rate).

19        **Q.    DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

20        A.    Yes it does.

**GEORGIA WATER AND WELL SERVICES, INC.**  
**DEPRECIATION EXPENSE ADJUSTMENT**  
**TEST YEAR ENDED DECEMBER 31, 2002**

Description	Date Acquired	Cost	Deprec. Rate (A)	Depreciation Expense	Staff Computed Accum. Deprec.
		\$	\$	\$	\$
GMC Sierra ( 70% of 18,593)	10/31/2000	13,015	20.00%	2,603	(5,640)
2001 Ford F550 (90% of \$44,955)	12/1/2001	40,460	20.00%	8,092	(8,766)
Computer	2/1/1993	1,200	20.00%	FD (B)	(1,200)
Tanks	1/7/1994	897	5.00%	45	(400)
Pump	5/4/1995	1,155	10.00%	116	(880)
Case Backhoe	1/13/1999	13,000	20.00%	2,600	(10,183)
Vermeer Trencher	1/17/2002	15,750	20.00%	3,150	(3,150)
Well Pump	8/22/1994	415	10.00%	42	(346)
Pumps	11/23/1994	2,267	10.00%	227	(1,832)
SC Port Bass & Timberlake (Orig. Cost)	2/3/1993	89,984 (C)	4.00%	FD (B)	(89,984)
<b>Capitalized Tap Fees</b>	<b>Since 1993</b>	<b>30,150</b>	<b>2.50%</b>	<b>754</b>	<b>(6,784)</b>
Port Bass Well Pump	11/26/1993	2,000	10.00%	200	(1,817)
Port Bass Well Pump	12/21/1993	1,014	10.00%	101	(913)
Port Bass Well Pump	7/12/1993	1,406	10.00%	141	(1,324)
Pump	7/8/1994	1,237	10.00%	124	(1,041)
Port Bass #1	8/15/2001	2,460	10.00%	246	(328)
Water Line	7/1/1994	1,555	5.00%	78	(654)
Pioneer Water Line Ext. (Cap. By Staff)	2002	14,264	2.50%	357	(357)
Well Pump (Capitalized By Staff)	7/17/2002	965	10.00%	97	(97)
Well Pump (Capitalized By Staff)	5/15/2002	1,069	10.00%	107	(107)
Pumping Equipment (Cap. By Staff)	11/1/2002	394	20.00%	79	(79)
Well House (Capitalized By Staff)	12/18/2002	798	20.00%	160	(160)
Total Plant In Service		235,455		19,318	(136,041)
Less: Fully Depreciated Plant		(91,184)			
Depreciable Plant - Net		144,271			
Less: Cumulative Tap Fees (Contributions in Aid of Construction)		(111,250)			
Remaining Depreciable Plant		33,021			
Composite Depreciation Rate		13.39%			
Computed Depreciation Expense		4,422			
Depreciation Expense Per Books		35,627			
Depreciation Expense Adjustment		(31,205)			

(A) - As recommended by the Commission's Utilities Department

(B) - FD - Fully Depreciated

(C)- Based on previous owner's Plant in Service in Docket No. 89-232-W, adjusted for Depreciation Accumulated through the end of the test year.